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ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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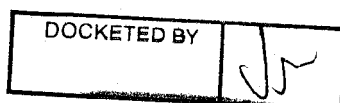
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October 31, 2000

OCT 31 2000



Commissioner Jim Irvin
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

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RE: Qwest Rate Case Docket #T-01051B-99-0105

Dear Jim:

I read your October 27, 2000 letter to Commissioner Mundell and thought it appropriate to comment on some of your concerns.

First, you may have forgotten, but in several staff meetings last year, this Commission discussed the hiring of a second consultant that would provide advice on alternative forms of regulation. In fact, my executive assistant spent a considerable amount of time in one staff meeting discussing the need for an additional consultant that would recommend alternative forms of ratemaking.

If you recall, staff objected to the hiring of such a consultant that Commissioner West, you and I unanimously agreed was needed. Further, in several meeting over the past few years both you and I have expressed a consistent belief that US West/Qwest should be treated no differently than other telecommunication carriers. Thus, it should come as no surprise that staff, given our direction, should reach a compromise that includes alternative ratemaking treatment.

Second, as for this notion that staff must come to us before they engage in negotiations with parties that have pending matters before this Commission, I strongly disagree. And for that matter, it has never been the policy of this Commission. In fact, the policy has been and continues to be that the staff is an independent party as reflected in the Commission's Ex Parte rule. It would be inappropriate for staff to discuss party filings in order to secure our approval to negotiate a settlement. And while I have issues with the Ex Parte rule in its entirety, I am completely comfortable with the rule on this account.

Third, any settlement must meet the same test as a litigated decision. Namely, the filing of testimony, the examination of witnesses, an analysis of financial information and a determination

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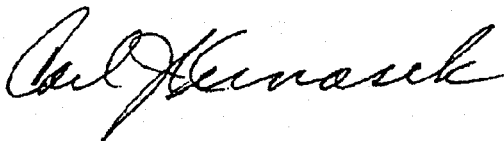
of whether or not the settlement is in the public interest. Of course, an opportunity for public comment as well.

Fourth, it is true that in 1998 I expressed a belief that US West was over-earning. I believe Commissioner Jennings expressed similar sentiments at the time. As I recall, you felt otherwise. However, when you and I, over Commissioner Mundell's objections, agreed to allow US West to collect an additional \$79.2 million dollars in depreciation expense each year, the financial picture for US West changed significantly. The net result is that the additional depreciation expense falls directly to the bottom line, thus, in the context of a rate case it will result in a dollar for dollar rate increase.

Finally, I don't believe Commissioner Mundell expressed a belief that you shouldn't formulate opinions and share them with others but I do believe that he, like me, is tired of playing the media game. Speaking out is great, but why don't we try and work with each other before creating media controversies, real and fabricated?

Both Commissioner Mundell and I have made it clear that we are willing to accommodate your schedule in selecting staff meeting dates. If there are issues that concern you, let us try and work them out civilly before faxing letters to the media in an attempt to play "gotcha" politics. The public deserves nothing less.

Sincerely,

A handwritten signature in cursive script, reading "Carl J. Kunasek". The signature is written in dark ink and is positioned above the typed name and title.

Carl J. Kunasek
Chairman

cc Commissioner Mundell
 Brian C. McNeil
 Deborah Scott
 Jerry Rudibaugh
 Docket Control